

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2083-01
Bill No.: HB 866
Subject: Education; Gambling; Veterans
Type: Original
Date: March 27, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	(\$7,695,000 to Unknown)	(\$7,695,000 to Unknown)	(\$7,695,000 to Unknown)
Gaming Proceeds for Education	\$0	\$0	\$0
Gaming Commission	\$2,447,000	\$4,895,000	\$4,895,000
Veterans' Commission Capital Improvement Trust	\$11,498,500	\$26,923,000	\$26,923,000
Missouri College Guarantee	\$44,733,000 to \$78,044,000	\$89,465,000 to \$156,088,000	\$89,465,000 to \$156,088,000
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown) to \$84,294,500	(Unknown) to \$180,211,000	(Unknown) to \$180,211,000

*** Subject to Appropriation.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$28,965,500 to \$32,667,500	\$41,759,000 to \$49,161,000	\$41,759,000 to \$49,161,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

ELIMINATING THE \$500 GAMING LOSS LIMIT (313.805):

In response to similar legislation from this year, officials of the **Gaming Commission (GAM)** stated this proposal is likely to increase the amount of state and local tax dollars received from riverboat gambling. GAM stated that it is difficult to estimate the impact this proposal would have on problem gambling or social costs. GAM assumed that a way to predict the fiscal impact of removing the \$500 loss limit is to assume that all Missouri boats' adjusted gross receipts per patron would rise to at least the level of the Illinois riverboats doing business in the St. Louis market, which was \$70.61 in calendar year ended, December 31, 2000.

A "patron" is an individual visiting a riverboat, regardless of how long they may stay on the boat. An "admission", however, is the number of times that a patron may hit a two-hour cruise window while on the boat. For example, a patron may stay on the boat for 2 1/2 hours, but could possibly hit three two-hour cruise windows, or admissions, each of which triggers a \$2 admission fee.

In addition, GAM stated there is strong evidence that the inconveniences of the loss limits drive down the number of visits. Patrons that have been to gaming facilities with no loss limits often find the loss limits cumbersome and inconvenient and either do not return or reduce their number of visits to Missouri casinos. In addition, high limit players in Missouri and from other jurisdictions limit visitation or do not patronize Missouri casinos because of the loss limits.

Based on these facts, GAM assumed the removal of the loss limits would raise the adjusted gross receipts per patron to \$70.61 (from the current AGR per patron of \$41.53) and would increase admissions by at least 10%. Based upon calculations used by GAM and updated with calendar year 2000 admission totals, the state impact from gaming tax is assumed to be \$156,088,000 annually; while the local impact would be \$17,343,000 annually. GAM also estimated an

ASSUMPTION (continued)

increase in the number of admissions, and applying fiscal year 2000 admission totals to their assumptions, GAM has estimated an annual state and local impact of \$4,895,000 each. The estimates do not account for any increase in jobs, a multiplier effect, facility expansion, or additional facilities constructed as a result of the removal of the loss limit.

In response to similar legislation, the **Office of Administration (OA), Division of Budget and Planning** state that the proposal should not result in additional costs or savings to their agency.

In response to similar legislation from last year, the **Missouri Highway Patrol** stated that they initially anticipate no fiscal impact nor an increase in personnel.

Officials from the **Department of Social Services (DOS)** state this elimination of the loss limitations on gambling boats would have an affect on total revenue for the Early Childhood Fund, due to patrons not remaining on gambling boats for the normal average of two excursions whereby reducing the revenue for Early Childhood. Therefore, DOS assumes the fiscal impact to the Division of Family Services is unknown.

Oversight reviewed the effect of the loss limits on the state of Iowa and found that Iowa's win per admission increased by approximately \$7.50. According to the Gaming Commission, the Adjusted Gross Receipts (AGR) per admission in FY 2000 was \$20.18. Oversight assumes this proposal would increase the AGR per admission in Missouri to \$27.68. Assuming a 10% increase in the number of admissions, Oversight estimates the state impact from gaming tax and admissions fee would be \$94,360,000 annually; while the local impact would be \$14,836,000 annually. For fiscal note purposes, Oversight will range the potential fiscal impact from the low to high estimates.

CHANGING THE ADMISSION FEE FROM \$2 TO \$3 (313.820):

Oversight assumes the increase in the admission fee paid per patron gambling in a two hour cruise window, will increase the revenue paid to the home dock cities (or counties) by \$26,923,000 [$23,996.1$ (estimated annual patrons) \times 110% (estimated growth of 10% for removing the \$500 loss limit) \times 2.04 (conversion from patrons to admissions) \times $\$.50$ (extra admission paid to home dock)] in a full fiscal year.

For fiscal year 2002, Oversight assumes 10 months of increased admission fee revenue from the extra dollar charged per patron per cruise window. However, since the \$500 loss limit elimination date in this proposal is January 1, 2002, Oversight assumes 6 months of the fiscal impact on admission fees as stated in the previous paragraph (\$13,461,500) plus 4 months of

ASSUMPTION (continued)

increased admission fees without the estimated increased admission resulting from the elimination of the \$500 loss limit. For FY 2000, the Gaming Commission reported that \$97,045,866 in admission fees were collected, representing \$2 per admission. Using this annual total, Oversight assumes the 4 month period from August 28, 2001 through December 31, 2001 will generate an additional \$8,087,000 ($\$97,045,866 / 12 \text{ months} \times 4 \text{ months} / \$2.00 \text{ admission fee} \times \$1.50 \text{ extra fee per admission paid to home dock}$) in additional admission fee revenue for the dock cities or counties. Therefore, in FY 2000, Oversight assumes an additional \$21,548,500 ($\$13,461,500 + \$8,087,000$) will be collected for each home dock city or county.

Officials from the **Department of Social Services** assumes the part of the proposal increasing the admissions fees from \$2.00 to \$3.00 will have no affect on Division of Family Service, Income Maintenance.

ALLOCATION OF INCREASED ADMISSION FEE REVENUE (313.835):

Officials from the **Missouri Veterans' Commission (VET)** state this proposal will provide an interminable amount of revenue to the Veterans' Commission Capital Improvements Trust Fund. Unless projected revenues were forecast, it cannot be determined how much of an increase the VET would get beyond the \$10,030,000 of additional moneys generated by the increase in admission fees, as stated in subparagraph (4) on page 24.

Oversight assumes all of the state's portion of the increase resulting from the increase in the admission fee from \$2 to \$3 will be credited to the Veterans Commission Capital Improvement Trust Fund (VCCITF). Oversight assumes \$10,000,000 will be dedicated to the Liberty Memorial in Kansas City in FY 2002, and that \$50,000 will be dedicated to any veterans' memorial project in Raytown in FY 2002. The remainder of the increased admission fee revenue will remain in the VCCITF to be used as allowed by statute.

TRANSFER FROM GAMING PROCEEDS FOR EDUCATION FUND TO THE MISSOURI COLLEGE GUARANTEE FUND (160.534):

Officials from the **Department of Elementary and Secondary Education (DES)** state this proposal limits the transfer from the Gaming Proceeds for Education Fund to the State School Moneys Fund to the level of the FY01 transfer that will be approximately \$180,000,000. It also limits the transfer to the School District Bond Fund to the level of the FY01 transfer that will be

ASSUMPTION (continued)

approximately \$7 million. Additional moneys in the Gaming Proceeds for Education Fund are to be transferred to the Missouri College Guarantee Fund to provide scholarships to Missourians to attend a Missouri college or university.

The proposal also increases the excursion boat admission fee from two to three dollars and distributes fifty cents of that one dollar increase to the gaming commission fund and fifty cents to the home dock city or county. The first \$10,050,000 of additional moneys generated by the increase and transferred to the veteran's commission capital improvement trust fund shall be dedicated to veterans' memorials.

The cost to the state will be the amount of additional money in the Gaming Proceeds for Education Fund that could have been used to help keep the state foundation formula fully funded. The amount of the additional money in the fund is unknown by DESE.

Oversight assumes the School District Bond Fund and the State School Money Fund will remain at their FY 2001 allocation, however, for all fiscal years subsequent, moneys beyond these totals in the Gaming Proceeds for Education Fund will be transferred to the Missouri College Guarantee Fund. Oversight assumes all increases of revenue from the elimination of the \$500 loss limit in the Gaming Proceeds for Education Fund will be transferred to the Missouri College Guarantee Fund. Oversight assumes an unknown loss to the General Revenue Fund for keeping the state foundation formula fully funded.

*INCREASE IN THE HIGHER EDUCATION ACADEMIC
SCHOLARSHIP PROGRAM SCHOLARSHIP FOR THE FIRST
ACADEMIC YEAR OF STUDY FROM \$2,000 TO \$3,000 (173.250):*

Officials from the **Coordinating Board for Higher Education (CBH)** state this bill would capture additional gaming revenue for the Missouri College Guarantee Program and increase the Academic Scholarship ("Bright Flight") award by \$1,000 to \$3,000.

The CBH state they have no way of knowing what the increases in gaming revenue to the College Guarantee Program would be under this bill. However, there would not be additional administrative costs related to revenue growth in this program.

BRIGHT FLIGHT INCREASE - In the past two fiscal years there have been approximately 8,100 students receive the Bright Flight Scholarship. Although all participating students receive \$1,000 per semester, not all students receive the award for both semesters due to enrollment

ASSUMPTION (continued)

changes or other causes of lost eligibility. Thus the mathematical average award is not \$2,000 per student, but \$1,900 per student. Therefore an increase in the award amount from \$2,000 to \$3,000 would entail a \$950 average increase per student. This produces a fiscal impact of $8,100 \times \$950 = \$7,695,000$ per academic year, which is equivalent to one fiscal year. This program, like all state grants and scholarships is subject to appropriations. Additionally, the number of students participating in this program has not increased over the past two years and there is no increase anticipated for FY 2002. The CBH estimated the total Bright Flight Scholarships to be awarded to be \$6,412,500 in FY 2002 and \$7,695,000 in FY 2003 and FY 2004.

Oversight assumes full funding of the Bright Flight Scholarship program increase for FY 2002 out of the General Revenue Fund, subject to appropriation.

Officials from the **Missouri Gaming Commission** state this proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Costs</u> - To keep the state foundation formula fully funded	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - Department of Higher Education Increased Bright flight Scholarships*	<u>(\$7,695,000)</u>	<u>(\$7,695,000)</u>	<u>(\$7,695,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND*	(\$7,695,000) to (Unknown)	(\$7,695,000) to (Unknown)	(\$7,695,000) to (Unknown)

* Subject to Appropriation

GAMING PROCEEDS FOR EDUCATION

<u>Income</u> - Gaming Tax from removing \$500 loss limit	\$44,733,000 to \$78,044,000	\$89,465,000 to \$156,088,000	\$89,465,000 to \$156,088,000
<u>Transfer Out</u> - to the Missouri College Guarantee Fund	<u>(\$44,733,000) to (\$78,044,000)</u>	<u>(\$89,465,000) to (\$156,088,000)</u>	<u>(\$89,465,000) to (\$156,088,000)</u>

RAS:LR:OD (12/00)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GAMING COMMISSION FUND			
<u>Income</u> - Admission Fees from removing \$500 loss limit	\$2,447,000	\$4,895,000	\$4,895,000
<u>Income</u> - Admission Fees from increasing admission fee from \$2 to \$3 (.50 to state)	\$21,548,500	\$26,923,000	\$26,923,000
<u>Transfer Out</u> - to Veterans' Commission Capital Improvement Trust Fund	<u>(\$21,548,500)</u>	<u>(\$26,923,000)</u>	<u>(\$26,923,000)</u>
ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>\$2,447,000</u>	<u>\$4,895,000</u>	<u>\$4,895,000</u>
VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND			
<u>Transfer In</u> - From Gaming Commission Fund - increase in admission fees from raising fee from \$2 to \$3	\$21,548,500	\$26,923,000	\$26,923,000
<u>Costs</u> - First \$10 million to Liberty Memorial in Kansas City	(\$10,000,000)	\$0	\$0
<u>Costs</u> - Next \$50,000 to any veterans' memorial project in Raytown	<u>(\$50,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
ESTIMATED NET EFFECT TO THE VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST FUND	<u>\$11,498,500</u>	<u>\$26,923,000</u>	<u>\$26,923,000</u>

**MISSOURI COLLEGE GUARANTEE
FUND**

<u>Transfer In</u> - from the Gaming Proceeds for Education Fund	\$44,733,000 to \$78,044,000	\$89,465,000 to \$156,088,000	\$89,465,000 to \$156,088,000
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ESTIMATED NET EFFECT TO THE MISSOURI COLLEGE GUARANTEE FUND	<u>\$44,733,000 to \$78,044,000</u>	<u>\$89,465,000 to \$156,088,000</u>	<u>\$89,465,000 to \$156,088,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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<u>Income</u> - Gaming Tax (elimination of \$500 loss limit)	\$4,970,000 to \$8,672,000	\$9,941,000 to \$17,343,000	\$9,941,000 to \$17,343,000
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<u>Income</u> - Admission Fees (elimination of \$500 loss limit)	\$2,447,000	\$4,895,000	\$4,895,000
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<u>Income</u> - Admission Fees from increasing admission fee from \$2 to \$3 (.50 to dock)	<u>\$21,548,500</u>	<u>\$26,923,000</u>	<u>\$26,923,000</u>
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ESTIMATED NET EFFECT ON LOCAL FUNDS	<u>\$28,965,500 to \$32,667,500</u>	<u>\$41,759,000 to \$49,161,000</u>	<u>\$41,759,000 to \$49,161,000</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal makes several changes to the gaming proceeds statutes. Starting in Fiscal Year 2002, all funds transferred from the Gaming Proceeds for Education Fund, in excess of the amount transferred to the School District Bond Fund for Fiscal Year 2001 plus the amount transferred to the State School Moneys Fund for Fiscal Year 2001, will be transferred to the Missouri College Guarantee Fund. The proposal also increases from \$2,000 to \$3,000 the Higher Education Academic Scholarship Program scholarship for the first year of study.

The proposal eliminates gambling excursion loss limits starting January 1, 2001, as long as any increased gambling boat proceeds that are deposited in the Gaming Proceeds for Education Fund are transferred to the Missouri College Guarantee Fund.

The excursion gambling boat admission fee is raised from \$2 to \$3 for each person admitted, and the Gaming Commission Fund and the home dock city or county each receive \$1.50 instead of \$1 of the admission fee. The proposal dedicates additional moneys generated by the admission fee increase and transferred to the Veterans' Commission Capital Improvement Trust Fund as follows:

- (1) The first \$10 million will be dedicated to the restoration, renovation, and maintenance of a memorial museum dedicated to World War I located in Kansas City;
- (2) The next \$50,000 will be dedicated to any veterans' memorial project in Raytown; and
- (3) All additional moneys will be used as provided in current law.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Gaming Commission

RAS:LR:OD (12/00)

Department of Elementary and Secondary Education
Department of Social Services
Coordinating Board for Higher Education
Missouri Veterans' Commission
Office of Administration - Budget and Planning
Department of Public Safety - Missouri Highway Patrol

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director

March 27, 2001